



HOUSE JOINT RESOLUTION No. 7

DIGEST OF INTRODUCED RESOLUTION

Citations Affected: Article 10 of the Indiana Constitution.

Synopsis: State and local tax and appropriation limitations. Restricts appropriations by the general assembly based on a formula that includes the prior year's appropriations, the cost of living index, population growth, and changes in the average per capita income of state residents. Establishes the budget reserve fund as a "rainy day fund" with limitations on the size and uses that may be made of the fund. Requires, after the declaration of an emergency by the governor, a two-thirds vote by the senate and the house of representatives to make appropriations that exceed the amount determined under the formula, or to use the budget reserve fund. Prohibits the general assembly from mandating local units of government to pay for new or increased programs or services. Prohibits local units of government from increasing taxes without voter approval of the increase. This proposed amendment has not been previously agreed to by a general assembly.

Effective: This proposed amendment must be agreed to by two consecutive general assemblies and ratified by a majority of the state's voters voting on the question to be effective.

Behning, Frizzell, Buck, Mock

January 14, 2002, read first time and referred to Committee on Rules and Legislative Procedures.

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PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

HOUSE JOINT RESOLUTION No. 7

A JOINT RESOLUTION proposing amendments to Article 1 and Article 10 of the Indiana Constitution concerning the general assembly.

Be it resolved by the General Assembly of the State of Indiana:

1 SECTION 1. The following amendment to the Constitution of the
2 State of Indiana is proposed and agreed to by this, the One Hundred
3 Twelfth General Assembly of the State of Indiana, and is referred to the
4 next General Assembly for reconsideration and agreement.

5 SECTION 2. ARTICLE 10 OF THE CONSTITUTION OF THE
6 STATE OF INDIANA IS AMENDED BY ADDING A **NEW**
7 SECTION TO READ AS FOLLOWS: **Section 9. (a) As used in this**
8 **section, "cost of living" means the consumer price index (all items)**
9 **for the United States, or any comparable index, as officially**
10 **computed by a federal agency for a twelve month period.**

11 **(b) As used in this section, "emergency" means an**
12 **extraordinary event or occurrence that could not have been**
13 **reasonably foreseen or prevented and that requires immediate**
14 **expenditure to preserve the health, safety, and general welfare of**



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the people. Examples include natural disasters, budget shortfalls, and other unforeseen circumstances.

(c) As used in this section, "appropriations" means the total amount of money appropriated by the General Assembly with respect to a fiscal year except for the following:

(1) Appropriations funded by money from the federal government.

(2) Appropriations to pay principal and interest on bonded indebtedness.

(3) Appropriations funded by unemployment and disability insurance funds.

(4) Appropriations funded by discretionary user charges to the extent that the charges do not exceed the cost of the goods or services and its purchase by the user is discretionary.

(5) Appropriations funded from permanent endowments, trust funds, or pension funds.

(6) Appropriations made with respect to proceeds of gifts or bequests.

(7) Appropriations for tax relief.

(d) As used in this section, "fiscal year" means any accounting period consisting of twelve consecutive months.

(e) As used in this section, "personal income" means the total income received by residents of Indiana from all sources, including transfer payments as defined and officially reported by a federal agency with respect to a twelve month period.

(f) As used in this section, "population" refers to the number of persons residing in Indiana as determined in the most recent federal decennial census.

(g) The appropriations made by the General Assembly with respect to a fiscal year may not exceed either of the following:

(1) The total appropriations for the prior fiscal year, except as adjusted for the following:

(A) The annual percentage change in the cost of living.

(B) An increase in population. The General Assembly shall provide by law for a method of determining the percentage change in the cost of living and population.

(2) The average percentage change in the State's per capita personal income over the prior three fiscal years.

(h) The appropriation limitation under subsection (g) may be exceeded only if all of the following occur during a fiscal year:

(1) The Governor declares an emergency.

(2) All funds in the Budget Reserve fund have been appropriated under subsection (j).



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(3) The General Assembly, by a vote of two-thirds of all the members of the Senate and two-thirds of the members of the House of Representatives, agrees to any appropriation that would exceed the appropriation limit during the fiscal year.

(i) Appropriations made under subsection (h) may not be used to compute the maximum appropriation level under subsection (g) for any fiscal year other than the fiscal year under subsection (h).

(j) Any excess of state revenues over expenditures at the end of a fiscal year shall be transferred to a Budget Reserve fund. However, the Budget Reserve fund shall not exceed ten percent of the total appropriations of the current fiscal year. Income earned by the Budget Reserve fund accrues to the fund. If the Budget Reserve fund equals ten percent of the total appropriations for the current fiscal year, the General Assembly shall provide by law for the following:

(1) The refund, during a subsequent taxable year, of the excess of revenues over expenditures to the income taxpayers of the State on a pro rata basis.

(2) A reduction in income tax rates that will cause projected revenues to be in line with projected expenditures.

(k) Appropriations from the Budget Reserve fund may be made only after the following:

(1) The total depletion of all other available funds.

(2) The Governor has declared a state emergency.

(3) A vote of two-thirds of all the members of the Senate and two-thirds of the members of the House of Representatives.

SECTION 3. ARTICLE 10 OF THE CONSTITUTION OF THE STATE OF INDIANA IS AMENDED BY ADDING A NEW SECTION TO READ AS FOLLOWS: Section 10. (a) The General Assembly may not impose on a local unit of government any part of the total costs of new programs or services, or increases in existing programs or services, unless the General Assembly appropriates sufficient funds to the local unit of government for the new or increased program or service.

(b) The proportion of state revenue paid to all local units of government shall not be reduced below that proportion in effect on the date that this section takes effect.

SECTION 4. ARTICLE 10 OF THE CONSTITUTION OF THE STATE OF INDIANA IS AMENDED BY ADDING A NEW SECTION TO READ AS FOLLOWS: Section 11. (a) Units of local government are prohibited from doing the following:

(1) Levying any tax not in effect on the date that this section

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1 takes effect.

2 (2) Increasing the rate of tax in effect on the date that this
3 section takes effect.

4 (b) The restrictions of subsection (a) do not apply to the
5 following:

6 (1) New or increased taxes agreed to by a majority of the
7 persons voting in an election.

8 (2) Taxes imposed for the following:

9 (A) Repayment of principal and interest or other
10 indebtedness.

11 (B) Payment of assessments or obligations in anticipation
12 of the issuance of bonds.

13 (c) The General Assembly may impose expenditure limitations
14 on local units of government not inconsistent with this section.

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